Opening Statement of the Honorable Greg Walden
Subcommittee on Communications and Technology
Hearing on "Is the Broadband Stimulus Working?"
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(As Prepared for Delivery)

At a time when President Obama and his administration is threatening to lay off meat inspectors, FAA controllers, TSA agents, throw head-start students out of class and cut teachers as the best way to deal with the sequester, our subcommittee will look at how parts of the Obama administration have allowed millions — perhaps hundreds of millions — of dollars in overspending, overbuilding and waste in their rush to spend the $7 billion in broadband stimulus money for underserved and unserved areas of the country.

To be sure, some of the money may be being spent as intended while other awards have been revoked and the money returned to the treasury. But when this bill was rushed through this committee, my Republican colleagues and I raised questions about how prudent it was to spend the money before the broadband maps were completed showing where the unserved areas were. Republicans pointed out that the private sector was investing an order of magnitude more extending service all across America. For the government, which borrows 40 cents of every dollar it spends, to get in this game seemed unnecessary. Today, we know that the private sector has spent $65 billion a year on broadband for the past decade, but the government makes veterans wait years to get their claims for benefits approved because it says it doesn't have the funds.

So the Obama administration's priority was to fund routers designed to support more than 200 simultaneous users to a library housed in a single-wide trailer with just one Internet connection. To put this in context, even accounting for one hundred times growth in the number of Internet users at the library, routers capable of handling 100 users each costs at least $16,000 less than what was purchased.

The NTIA and RUS likely made some good choices. In many areas of the country the money may have been spent appropriately. That's a good thing. After all, if the money was going to get spent, then we would all hope it would get spent well.

However, approximately $611 million of the funding covering 42 projects has been revoked, relinquished, or suspended. Advocates of the law said it needed to be rushed through Congress to infuse money into the troubled economy and that the funding would go to shovel-ready projects. Yet four years into the program, only 60 percent of the broadband funds have been put to use. And of the 553 projects funded, only 58 are finished or in the finishing stages, even though all were originally supposed to be completed by September 30, 2013.

Allegations of overbuilding persist. Indeed, a spate of national stories in recent weeks have pointed to the $100 million EagleNet grant in Colorado as the quintessential example. According to the New York Times, the currently suspended project built a third fiber connection to an 11-student elementary school in Agate—which the school says it does not need or want—instead of to rural mountain communities desperate for access. The Department of Commerce Inspector General and a state auditor have both recently concluded that West Virginia overspent hundreds of thousands or even millions of dollars on enterprise-grade servers for small libraries with only a few computers.

By contrast, the private sector has built out broadband to 96 percent of the population in the last decade and 70 percent of the country now subscribes. The number of Americans with broadband at home grew from eight million to 200 million between 2000 and 2009. Another 20 million signed up by 2011. There was no need to reinvent the wheel. Doing so is not only inefficient, it's counter-productive. First, overbuilding provides "seconds or thirds" to some parts of the country before others have even had "firsts." Second, it unfairly subjects to government-subsidized competition businesses that have invested their own funds. This potentially divides the customer base from which the company can recover costs,

jeopardizing its business and the jobs it created. Third, it puts the federal dollars at greater risk, since the subsidized entity must similarly compete with the existing private businesses.

Promoting broadband is a laudable goal. But there are many laudable goals. When the government is borrowing almost 40 cents on every dollar to fund government services, we cannot afford them all, especially if the private sector is succeeding without our involvement. From what we know now, the government has spent millions on equipment it did not need and on stringing fiber to areas that already had it. Republicans won't tolerate wasteful government spending, and it appears we've uncovered millions that fit that category. If the Obama administration was going to spend this money wisely it would have targeted it to 4 percent of the country where there is no economic business case for private sector investment. Increasing stories of overbuilding and waste suggest the Obama administration failed to adequately do so.

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